

**MINUTES
CITY OF ST. CHARLES, IL
SPECIAL CITY COUNCIL WORKSHOP
TUESDAY, JANUARY 16, 2018 5:45 P.M.**

Members Present: Stellato, Silkaitis, Payleitner, Lemke (5:55pm), Turner, Rogina, Bancroft, Gaugel, Vitek, Bessner, Lewis (via telephone)

Members Absent: None.

Others Present: Mark Koenen, City Administrator; Rita Tungare, Director of Community & Economic Development; Russell Colby, Community Development Division Manager; Fire Chief Schelstreet; Chris Minick, Director of Finance

1. CALL TO ORDER

The meeting was convened by Chairman Bessner at 7:00 P.M.

2. ROLL CALLED

Roll was called:

Present: Stellato, Silkaitis, Payleitner, Lemke (5:55pm), Turner, Rogina, Bancroft, Gaugel, Vitek, Bessner, Lewis (via telephone)

Absent: None

3. Motion to approve Ald. Lewis to attend this meeting via telephone.

Aldr. Stellato made a motion to approve Aldr. Lewis to attend the meeting via telephone. Seconded by Aldr. Bessner. Approved unanimously by voice vote. Motion carried. 8-0

4. Discussion regarding First Street Redevelopment Project

Mayor Rogina gave a brief outline for tonight's meeting and stated that staff needs to hear Council's voices loud and clear on a variety of topics. Some of the highlights that will be heard tonight are:

- Costs- what should the city assume and what should a developer assume.
- Streetscape-who should pay for it.
- Value of the land-should we sell it for price; compared to what we've done in the past with other phases.
- Timing-when should all this be done; when should request for proposal go to possible developers, what land uses might we follow per the original agreement, as well as amendments we might want to make.

Background

Ms. Tungare gave a brief background stating that the PUD for First St. was approved in 2006; along with that PUD there were the buildings that have been constructed, as well as those currently under construction that were all approved. There were also 3 additional building pads that were approved (building 6, 7B and 8) which are city-owned, however in 2014 Council made the decision to terminate the 2006 redevelopment agreement for those 3 parcels.

In 2006 building 6 was approved to be a 4-story building with the first floor as commercial, the second floor as non-residential and the third and fourth floors as residential.

Building 7B was approved to be a 3-story building with the first floor as commercial, second floor as non-residential and the third floor as office.

Building 8-the smallest of the three (Jimmy Kacheres property) was approved to be a 3-story building with the first floor as commercial, second floor non-residential and third floor office.

Building 7B and 8 had a similar building program, and building 6 was different as a true mixed-use building. There were building heights established as well as restrictive land uses for the first floor in the PUD agreement at that time, which is the plan that was approved that is still in place for the 3 buildings. It would be safe to assume that these 3 buildings could be subject to change depending on Council's desire, but also depending on development interest and market conditions today; we're 11-12 years out and times have changed.

Phase 3, which is currently under construction, has more office today and less residential units than what was originally contemplated. Staff has identified some statistics for the comparison between phase 3, approved in 2008, versus the current phase 3 plan currently under construction. There's a reduction of 39 residential units, reduction of overall square footage for residential, as well as a reduction of 16,000 sq. ft. in the commercial; that's the fact pattern.

For a number of years the building 6 parcel has been primarily used for parking, it's a pattern that's been established and the community has gotten used to that, even though there is an approved building plan for that property. In 2006-2007 some commitments were made in relation to parking; there are 31 existing surface parking spaces just west of the building 6 lot that have to be maintained as shared parking between building 6 and Blue Goose, regardless of any development that occurs for building 6. There are 19 public parking spaces just north of the building 7B pad, which currently exists, that have to be maintained as public parking spaces. Building 6 plans approved in 2006 contemplated some underground private parking spaces. Ms. Tungare clarified that there is a drive-through at ground level with the building above for access to the parking lot. The city owned parking lot north of 7B has an opportunity to be combined with 7B while maintaining the parking there; there's always an option to build over it, if that's the desire.

Development Costs

Ms. Tungare said the 2006 redevelopment agreement contemplated some developer-assumed cost, such as capped building permit fees, utility connection fees and school and park land cash fees, which were all identified as developer obligations. Something to bear in mind is the impact of the investment that the city has already made in this project by all the new utility work installed along First St. in 2006-2007; the roads were reconstructed and placement of electric transformers. These are probably negotiating tools for the city with any future developer.

Based on experience for phases already constructed and developed, we know there are future costs contemplated with any future phases of development tied to 6, 7B and 8; more so tied to building 6. There are environmental cleanup costs, streetscape improvements and KDOT transportation impact fee, which at the time was negotiated and was outlined in the 2006 redevelopment agreement that expired. The costs add up to a range of \$690,000, which are cost obligations associated with future phases of development and the Council needs to decide whether these are developer, city or joint obligations. Building 7B and 8 have no extraordinary costs, there's some streetscape improvements and not really any environmental remediation remaining.

Aldr. Bessner asked if the future costs have affected us at all now. Ms. Tungare said no, and there's no redevelopment agreement in place either, just costs that we know of that will have to be incurred down the road, by someone.

Aldr. Turner said this is just straight almost empty lots with no plan at this point; there's no redevelopment agreement on these anymore. Ms. Tungare said there's no commitment on the city's part except that we own those pieces of property, and that there's a plan that's already approved. For example, if a developer walked through the door tomorrow to build on these lots, they'd have to negotiate a redevelopment agreement with the city, who owns the properties. Mayor Rogina clarified that a developer couldn't just walk in and build something because it's been reapproved, given there is no redevelopment agreement on the table.

Aldr. Lemke said if we have a TIF to do the streets and utilities, wouldn't that recover the city's costs. Mr. Minick said theoretically yes, however, we issued a significant amount of debt related to the initial First St. redevelopment. That was refinanced in 2012-2013 and right now because of the significant delay in getting to phase 3, which was really the meat of the TIF, and due to the finite nature of the TIF clock, we anticipate that the increment will be needed to service the existing bonds. There would be no leftover residual increment to undertake and fund the contemplated improvements. Aldr. Lemke said so the improvements over the original could not automatically come from the TIF. Mr. Minick said that's correct.

RFP Discussion

Mr. Colby said staff is looking for feedback and input on how this request could be structured, he then led a discussion regarding the request for proposals (RFP) which included the following points:

- Scope/area included

Originally the project was contemplated as a unified development where all building would be constructed by 1 developer. These 3 buildings are now separated, and each has pluses and minuses associated with them. Building 6 has always been viewed as the most attractive due to the size and mixed use; buildings 7B and 8 have been viewed as more difficult to make the numbers work in terms of constructing on those lots. The city has the option to allow proposers to submit plans for one of the buildings, or all of the buildings; it could be structured either way. Or we could say we'd only like someone to come in with a plan for all 3 buildings and review those all at the same time.

Aldr. Gaugel said he likes the option piece to be able to bid on one, two or all three of them; it will at least start the conversation and get us the most interest. Aldr. Silkaitis agreed; in a perfect world it'd be great to have one developer do them all, but he doesn't see that happening. He said in looking at building 8 he has no idea what will be done with that, there's not a lot of foot traffic there.

Mr. Koenen said our goal is to develop all 3 lots and he suggested setting up a scenario where that becomes more attractive then to have people pick and choose, and maybe in the evaluative process we give extra credit/bonus points to the party that will do all 3, as opposed to one coming in to only take 1. Aldr. Gaugel said speaking evaluation criteria and responses, if that's the case he completely agrees with that. Mr. Koenen said we need to define that as criteria in the proposal request.

Aldr. Stellato said it looks like there's a burden of roughly \$700,000 in streetscape for First St. and Illinois St. Building 6 is 70,000 sq. ft. at \$10 per sq. ft. spread across that entire building to do all the streetscape; we could share in some of that if somebody wanted to build 6 because it's a public improvement that easy to share, in exchange for them building on 8 and 7B, some type of hybrid negotiation; he's all for that. Aldr. Silkaitis said he agrees, but what if someone comes in and just wants to do 6, do we tell them no they have to do all of them. This is something we have to keep in mind; how bad do we want 6 built, versus the other two, we need flexibility in our process. Mr. Koenen said he likes the idea of flexibility, but yet our goal is to get them all built; if we give extra points for that we may get our cake and eat it too.

Aldr. Payleitner mentioned the Shodeen project and how market doesn't warrant it, and she hopes we'll get protection in this project that we didn't get there. She hopes someone will not come forward and want all 3 but then the "market doesn't warrant it" so then they won't do anything. She hopes there will be some language in there to protect us. Ms. Tungare suggested some drawback provisions in there if we've given them some credit. Mr. Koenen said element B talks about specifics on buildings which could maybe include those protections.

Aldr. Bessner asked if that would also affect design criteria; if all 3 were built by different developers would we lose continuity for the overall aesthetic design. Ms. Tungare said design guidelines would need to establish for that consistency and yes there is a bit of that risk but the guidelines would help. Mr. Colby said there is an existing design guidelines document the city developed before the original project was proposed, so we have a reference.

Aldr. Payleitner said since the original plan came forward, does the parking still look like it would work. Mr. Colby said it's a difficult question to answer; it depends on the use, but the impact of constructing 6 would mean the existing parking, which is now public parking, will go away. It's being replaced by parking under the building which is private to serve the upper floor uses. There's also some shared parking between Blue Goose and building 6, but there is no additional parking planned for building 8 or 7B; there's a possibility that 7B could incorporate some additional parking depending on how the building is designed.

Aldr. Stellato said lot 8 has always been the struggle, but one thought was for it stay an "at grade" parking lot to combine it with 7B to build above it so there's parking under the new building that has now doubled in size. You would not lose any parking for 7B and possibly some of the parking for 6. Building 6 sounds good on paper but where will everyone park; it's a challenge, even if it meets code or works in an SSA, does it work in the real world.

Aldr. Lemke said it's obvious to him that it gives you more parking during construction, so don't build 8 first. His fear is a developer could cherry pick 6 and leave us holding the other 2, so to the extent that you bundle it and 8 becomes a temporary safety belt for parking sounds very doable. Aldr. Silkaitis said his problem with 8 for parking is at certain times you cannot get out of there. Aldr. Stellato said at one time they thought of tying that in with Doc Morgan to have 1 big lot.

Mr. Colby said the parking lot next to 7B and Blue Goose could be integrated into a building in some manner, that doesn't necessarily mean that parking goes away, but there is potential for construction over it. He asked if that was something of interest to offer; it is a city owned property and there is an easement for the parking and if it remains that's fine. If there's an interest to remove it or reconfigure it would require some negotiation with Blue Goose as the other owner. Aldr. Stellato said that's a good compromise. Aldr. Silkaitis said if there's parking for 6 on the first floor he's sure it would be made another story higher. Ms. Tungare said that's another question; is Council open to any deviations because that is another option.

Mr. Colby said another concept would be suggesting changes to the footprint of building 6. Maybe opening up a corner at First St. and Illinois St. to have better views to the Blue Goose. Based on the existing approved plan, if that building were constructed, the view would be entirely obstructed around that corner. This would be an opportunity, if there is some negotiation with the Blue Goose, to offer them an exchange for opening up the view to negotiate some parking arrangements. Additionally there's the opportunity to keep the same amount of building mass, to not scale back the square footage, but putting 6 and 7B in different locations to keep an open space for a public area, rather than just parking.

Aldr. Lemke said to have a smaller 6 would allow the laydown area which would avoid us blocking anymore Illinois St., which we did with Building 2; which would allow for construction areas. The sidewalk on Illinois St. seems awfully long.

Aldr. Stellato asked what happens if we do nothing; how does it hurt or help us with the TIF; what is the financial impact. Mr. Minick said it means a larger subsidy from the general fund.

He mentioned the debt issued for First St. was general obligation debt, but any TIF increment that's generated within the TIF district is pledged to the repayment of the bonds as the first bucket that you draw from. In the event that nothing were to happen we would just need a larger subsidy from the general fund than we would otherwise need with development. How much that is, is tough to say without knowing what would be built there; but based on the prior plans we were still running a fairly decent subsidy over the life of the TIF district to the tune of about \$7million. Aldr. Stellato said we need to do something. Mr. Minick said the quicker the better, the TIF clock is finite.

Aldr. Lemke said for 6 to be started sooner, if a package were to come together that says I'd do the biggest building first, timing is helpful there to get something on the ground sooner as long as we're giving them points, to hopefully come in as a phase 2 or 3 with the other part.

Mr. Koenen said in terms of offering flexibility with building 7B and 6, is the Council willing to allow the developer to be creative about where they put the mass of building on that lot, and maybe an opportunity open to up Illinois and First. Interest in maybe expanding over the existing parking lot on the east side of Blue Goose adding a structure above the parking lot. Mayor Rogina noted that we have not gotten to the issue of height yet.

- Specifics on buildings

Mr. Colby said one option would be to open up the RFP for any proposal to a developer who thinks, based on their understanding of the market, what land uses make sense. We do have the option of suggesting or recommending certain land uses. The number of residential units in phase 3 is quite a bit lower than originally planned with the balance being more heavily toward office uses. The city may want to say we're looking for residential uses in these buildings, or we can leave it open to whatever might be proposed, understanding that there's a PUD on the property identifying what uses are permitted. It would be up to a responder to suggest how they might utilize each individual site.

Mayor Rogina said market conditions are always important but based on what's happening out there now he would like to see more residential; the statistics speak for themselves, and with the underground parking, it makes sense. Aldr. Gaugel said he completely agrees, but with the thought of not restricting the respondents, we should leave it open with the caveat that residential is encouraged.

Aldr. Lemke said let the market decide, there are some buildings that would lend themselves more to office like building 8. Aldr. Silkaitis but with commercial still on the first floor.

Aldr. Gaugel said he could see residential on the upper floors for building 8, it would be similar to the building south of 7b and he thinks the residential works just fine there, it would prime to have upper floors as residential.

Aldr. Vitek said she likes the idea of offering it as a package with some encouragement to develop all 3, and couple that with the option to be creative to have some residential. She would

hate to sell ourselves short to see what we could get by being really focused on residential; but we know as a group we are focused on residential a little bit.

- First floor uses

Mr. Colby said the PUD Ordinance requires first floor uses be limited to a specific list, it's more limited than the Downtown Overlay District. There are certain uses that are allowed without any limitations; those are retail or restaurants. There are limitations on recreation or salon uses where they are limited to 25% of the total square footage accumulatively among all the buildings in the First St. project. These restrictions exist now so any changes being proposed would have to go through the PUD amendment process. He asked if there's an interest in adjusting the first floor uses, or stick to the PUD as it exists today. Aldr. Turner said we should make it more flexible. Aldr. Gaugel agreed. Aldr. Silkaitis said but he doesn't want to go too far to let anything be there, some people are going to stretch it; we need some type of structure.

Mayor Rogina asked how we safeguard ourselves; is there some protective language. Ms. Tungare said that could be addressed through the PUD, she agrees in regard to granting flexibility, but as with any other development we will specify parameters in the PUD, there will need to be some level of specificity to regulate it. She's not concerned about granting that flexibility through the RFP process; she likes the idea of flexibility because we will at least get a sense of what's coming in and what the market is dictating; we can then get a little picky and choosy with it as we take it through the process. Aldr. Lemke said we need to look at the list for the Downtown Overlay to see if there's some things that were logical for inclusion to expand this; maybe there is some opportunity for a drugstore or drugs and notions, beauty supply, maybe even boutique clothing. Aldr. Payleitner said those would all be retail sales.

Aldr. Stellato said that's what the RFP process is about, we're all from here and comfortable with the way things are but a developer is going to come in and look at this town differently, with not as much emotional attachment as we have, and want to move things around; sometimes that's bad and sometimes good and they will open up our eyes. The RFP process will answer a lot of these questions and we'll find out what the market is and what there's a demand for; fresh eyes are never bad, we can always say no.

- Height/number of floors, building size

Mr. Colby referred to the existing PUD; the downtown CBD zoning district allows up to 50ft. height and 40,000 sq. ft. in one building; when the project was approved there were PUD deviations approved specifically for building 6 for 70,000 sq. ft. and 55 ft. height, which are in excess of the requirements. He asked if we should suggest that proposals stay within the boundaries previously approved for all 3 buildings, or do we specify something else, or are we open to considering proposals where they may be deviating from the requirements on all of the buildings. Do we want to restrict the overall size of the buildings.

Aldr. Bessner asked if 55ft. is the threshold. Mr. Colby said yes for building 6 which is 5ft. above the 50ft. standard. Aldr. Bessner asked the height for Milestone Row townhomes. Mr. Colby said he believes those are taller than 55ft. and 4 stories, Hotel Baker is taller with 5+

stories. Ms. Tungare said there was a deliberate attempt to cap the height limits for this project to be lower than Hotel Baker; the maximum height allowed for this entire project (not any of these buildings) was 74-75ft. Carroll Towers is about the same height as Baker Hotel. Mr. Koenen suggested a mark for building example height. Aldr. Bessner suggested the Milestone building. Aldr. Gaugel agreed; as a starting point to commensurate with what's in the area, however the ALE and Sterling Bank building are definitely taller, he suggested using the townhomes at Milestone Row as a gauge. If somebody wants to propose something larger, we can always consider it. Mayor Rogina said in using that gauge, how many floors would that give us for building 6. Mr. Colby said it would depend on the uses, but with commercial on the first and residential up, it would be 4-5 stories. Mr. Koenen asked which is more important, height or number of stories. Aldr. Gaugel said height. Mayor Rogina noted the consensus that he didn't hear any major objections for the townhomes to be a gauge in that area. Council agreed.

Aldr. Payleitner asked where the concern came from for the visibility of Blue Goose. Mr. Colby there was not a specific concern, just a sense that because the building 6 site has been in that condition and everyone is used to being able to see the building, this would be a significant change and there may be ways to address that through design to have less of an impact.

- Costs

Mr. Colby asked if we want the RFP left open ended where we're not suggesting any kind of financial arrangement of who's paying for what, or do we want to structure it, defining what the city is willing to pay for and what we are looking for a developer to pay for. We have the ability to leave it open ended or set very specific parameters to know what all of the future costs will be, as well as an understanding of the improvements the city has already invested in.

Mr. Colby said there is contaminated soil on lot 6 and the reason for the cost associated with it is because if there will be parking underneath the building the soil will have to be excavated and removed, which has costs associated with disposing of it. If there's no basement level on building 6 it would be possible to be encapsulated by the building, but then we don't have the parking that had been contemplated.

Mr. Koenen suggested sliding the building south on First St. to leave the corner open, that's where we understand more of the environmental condition exists and maybe we have less of an expense. Aldr. Lemke said street level parking might even allow a building over open street level parking; we have that with Wok n Fire. Aldr. Silkaitis said a 1/3 of that lot backed off we could still provide underground parking, if that's what we agree to.

Mr. Colby said one concept would be for the city to provide the property to a developer for a minimal cost, and have the developer take on the responsibility to complete all of the improvements that the city had been contemplating with completion of the project. From our standpoint it's the simplest way to handle it; it takes the responsibility off the city to manage it. Aldr. Stellato said we've had RFP's to just throw out a number, and also very specific dollar amount RFP's, and he feels throwing in the property for phase 3 will get us more attention, drawings and more serious people. Mr. Koenen said administratively it's a lot more efficient than us trying to insert ourselves into the developer process and coordinate it all the way through.

Aldr. Stellato said if we decide to set a dollar amount he believes we would need an appraisal, and he doesn't think we want to spend the money on that.

Aldr. Gaugel asked how you get that in an RFP and how do you come up with the minimal costs. Aldr. Stellato said we have a little bit of a minimal cost now saying there's a burden on the property today and for the right development the city may consider offering a property for a nominal fee.

Mr. Colby asked if other incentives should be taken off the table, developers will be aware that it's in the TIF district and they may request other types of incentives as part of the proposals. He asked if we want to be open to that. Aldr. Silkaitis said if we're going to give them the property why do we have to give them anything else. Aldr. Bancroft said if we were giving them the police station on the river he would think about it, we're not giving diamonds here. We want this developed, this is pedestrian property and whatever we can provide, we should to get it developed; if it's something were excited about. Aldr. Silkaitis said he's not slamming the door on it, but he wants to be very careful with this. Ms. Tungare said maybe other incentives could be tied to whether they come in as a package for 7B and 8. Council agreed. Aldr. Stellato said if they decided to build 6, just having those lots available to have the temporary parking and staging helps a lot.

Ms. Tungare clarified on the consensus heard from Council regarding the cost; if we gave the property to a developer for a minimal cost it's likely we will get more interest, and the interest is in having the developer cover all of the other site costs and obligations. Mayor Rogina said he senses that's the prevailing theory.

- Review of the responses

Mr. Colby said should the Council be providing review criteria in the RFP, examples include: Construction value to the TIF district, conformance with Design Guidelines, need for further PUD variations, how parking is accommodated, project timeline, developer's track record of similar projects, etc. We could decide which are most important and if this advances forward we would have a draft of an RFP seeking the Committee's input. Aldr. Lemke suggested that instead of having a straight point value for each of those, that some of them be 60 points, some 20 points, there doesn't need to be 100, maybe come up with a maximum of 400 points. Aldr. Gaugel said in his experience with RFP's, he's used descending order of importance to not use points, values or percentages, but just our top drivers in descending order. Aldr. Lemke said we might have it in the back of our mind what points to assign, but we don't have to say it.

Mr. Colby said we need to identify how we will go about reviewing these responses to come up with a short list. This is something that based on the criteria staff could do if the criteria are extensive enough to review what's been submitted and reach those conclusions. The other alternative would be to set up a smaller group or committee to review the proposals to decide which ones will go on the short list. Aldr. Bancroft said it feels like a staff job to him. Council agreed. Aldr. Stellato said if there's a few that are close they can be presented to the Planning & Development Committee. Aldr. Bancroft asked how you send an RFP out. Mr. Colby said we will promote it anyway we can and sending it to any contacts we have; we've had a lot of inquiries from developers over the years. Mr. Koenen said we would go in front of P&D Committee with draft materials, then to Council to get some fanfare out of it. We also have The

Den, the newsletter, APA, ICSC contacts, city website, press releases, local contacts, etc. Aldr. Turner suggested real estate magazines, a trade publication. Aldr. Payleitner said she is thrilled that we're so optimistic here because we had no inquiries for the other part of this project beside the one that's currently happening. Mr. Koenen said a conversation was had earlier and we acknowledge that these are not the primary elements, "the diamonds" of the site, but we'll be pleased to get 2 or 3. Ms. Tungare said we definitely have more to show now than we did 2-3 years ago with the ongoing construction; we're feeling a little more hopeful.

5. **EXECUTIVE SESSION-None.**
6. **ADDITIONAL ITEMS FROM MAYOR, COUNCIL, STAFF OR CITIZENS-None.**
7. **ADJOURNMENT- Aldr. Bessner made a motion to adjourn at 6:50pm. Seconded by Aldr. Silkaitis. Approved unanimously by voice vote. Motion Carried. 10-0**